

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 IO-04

CIAE-00 INR-05 NSAE-00 COME-00 FRB-01 XMB-02 L-01

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R 301515Z OCT 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8452

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E.O. 11652: N/A

TAGS: EFIN, ENRG, CS

SUBJECT: PROPOSED IDB LOAN TO ICE

1. SUMMARY. MR. ALEX MURRAY, EXECUTIVE PRESIDENT OF THE INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE) CALLED CHARGE THIS MORNING TO EXPRESS HIS GROWING DISSATISFACTION WITH THE IDB'S HANDLING OF A PROPOSED LOAN TO ICE FOR THE ARENAL HYDROELECTRIC POWER PROJECT. MURRAY IS EQUALLY UNHAPPY OVER REPORTS HE HAS RECEIVED OF U.S. GOVERNOR'S PROBABLE PUBLIC VOTE ON THE LOAN. END SUMMARY.

2. MURRAY RELATED THE LONG AND TORTURED HISTORY OF THE IDB'S CONSIDERATION OF THIS LOAN, WHICH HE SAYS INCLUDED MANY INDUCEMENTS TO ICE TO RELY ON THE IDB FOR THIS PROJECT RATHER THAN GOING TO THE IBRD. THESE INDUCEMENTS REPORTEDLY INCLUDED A PROPOSAL, APPROVED BY THE IDB'S LOAN COMMITTEE, FOR A 30-YEAR LOAN AT 8 PER CENT WITH SIX YEARS' GRACE PERIOD.

3. MURRAY SAYS THAT ICE ACCEPTED THIS PROPOSAL, WHICH WAS TO HAVE BEEN PUT TO THE IDB BOARD LAST JULY. HE NOW

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UNDERSTANDS THAT THE LOAN WILL COME TO A VOTE LATER THIS

WEEK BUT THAT THE U.S. GOVERNOR HAS TAKEN A POSITION AND
PERSUADED OTHERS TO OPPOSE THE 30-YEAR TERM AS BEING TOO
LONG FOR A NON-CONCESSIONAL LOAN.

4. CHARGE GATHERED THAT MURRAY WAS NOT SO MUCH
UNHAPPY WITH THE POSSIBLE REDUCTION OF THE LOAN TERM AS
HE IS WITH THE LONG HISTORY OF IDB DELAYS WHICH HAS ALREADY
PLAGUED THIS LOAN AND THE NEW PROSPECT NOW THAT THERE
WILL BE FURTHER DELAYS. HE SAYS THAT ICE HAS REACHED A
CRITICAL GO-NO GO DECISION ON THE PROJECT. IF THE
PROJECT DOES NOT GO FORWARD SOON, IT CANNOT BE COMPLETED
BY 1978 AS PLANNED. THE DIFFERENCE, MURRAY SAYS, WILL
MZCAN AN ADDITIONAL 100 MILLION COLONES TO COSTA RICA
IN PETROLEUM REQUIREMENTS AS WELL AS AN ADDITIONAL 40
MILLION COLONES INVESTMENT IN DIESEL GENERATING
EQUIPMENT WHICH WOULD NOT BE REQUIRED WITH ARENAL.

5. MURRAY DID NOT REQUEST THE EMBASSY TO TAKE ANY ACTION.
NEVERTHELESS EMBASSY WOULD APPRECIATE REVIEW OF THIS LOAN
PROJECT, AND IF MURRAY IS CORRECT, A RECONSIDERATION OF THE
US POSITION. ICE IS A MAJOR POTENTIAL CUSTOMER FOR
US EXPOETS, ON THIS PROJECT AND OTHERS, AND IT WOULD BE
A SHAME TO DISAFFECT THEM.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, DEVELOPMENT BANKS, DEVELOPMENT LOANS, HYDROELECTRIC POWER PLANTS, PROGRAMS (PROJECTS), PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 30 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANJO04131
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740310-0532
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974106/aaaaaexy.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by martinml>; APPROVED <10 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED IDB LOAN TO ICE
TAGS: EFIN, ENRG, CS, US, IDB, ICE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005